HLS 16RS-150 ORIGINAL

2016 Regular Session

HOUSE BILL NO. 32

1

BY REPRESENTATIVE JONES

RETIREMENT/COLAS: Authorizes payment of a benefit increase, funded by state retirement system experience accounts, to certain retirees and beneficiaries of such systems

AN ACT

2 To amend and reenact R.S. 11:542(A)(2)(introductory paragraph) and (B)(introductory 3 paragraph), 883.1(A)(2)(introductory paragraph) and (B)(introductory paragraph), 4 1145.1(A)(1)(introductory paragraph) and (B)(introductory paragraph), and 5 1332(A)(1)(introductory paragraph) and (B)(introductory paragraph) and to enact 6 R.S. 11:542(H), 542.2, 883.1(I), 883.4, 1145.1(G), 1145.3, 1331.2, and 1332(H), 7 relative to state retirement system experience accounts; to provide for credits and 8 debits to such accounts; to debit funds from such accounts to pay a benefit increase 9 to certain retirees and beneficiaries of state systems; to provide qualifications for 10 receipt of such payments; to provide relative to the amount of such payments; and 11 to provide for related matters. 12 Notice of intention to introduce this Act has been published 13 as provided by Article X, Section 29(C) of the Constitution 14 of Louisiana. 15 Be it enacted by the Legislature of Louisiana: 16 Section 1. R.S. 11:542(A)(2)(introductory paragraph) and (B)(introductory 17 paragraph), 883.1(A)(2)(introductory paragraph) and (B)(introductory paragraph), 18 1145.1(A)(1)(introductory paragraph) and (B)(introductory paragraph), 19 1332(A)(1)(introductory paragraph) and (B)(introductory paragraph) are hereby amended

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1	and reenacted and R.S. 11:542(H), 542.2, 883.1(I), 883.4, 1145.1(G), 1145.3, 1331.2, and
2	1332(H) are hereby enacted to read as follows:
3	§542. Experience account
4	A.
5	* * *
6	(2) The In accordance with the provisions of Subsection H of this Section,
7	the experience account shall be credited as follows:
8	* * *
9	B. The In accordance with the provisions of Subsection H of this Section, the
10	experience account shall be debited as follows:
11	* * *
12	H. Beginning with the June 30, 2016 valuation, debits and credits to the
13	account shall occur in the following order:
14	(1) Credits in Subparagraph (A)(2)(b) of this Section, as limited by
15	Paragraph (A)(3) of this Section.
16	(2) Debits in Paragraph (B)(1) of this Section.
17	(3) Credits in Subparagraph (A)(2)(a) of this Section, as limited by
18	Paragraph (A)(3) of this Section.
19	(4) Debits in Paragraph (B)(2) of this Section.
20	* * *
21	§542.2. Permanent benefit increase; payable beginning July 1, 2016
22	A. Notwithstanding any provision of R.S. 11:542 to the contrary, the board
23	of trustees of the Louisiana State Employees' Retirement System may pay a
24	permanent benefit increase, payable beginning July 1, 2016, to the following retirees
25	and beneficiaries:
26	(1) Any retiree, other than a disability retiree, who has attained at least age
27	sixty and who has received a benefit for at least one year.

1	(2) Any nonretiree beneficiary is eligible if benefits had been paid to the
2	retiree or the beneficiary, or both combined, for at least one year and if the retiree
3	would have attained age sixty.
4	(3) Any disability retiree or a person who receives disability benefits from
5	the system based on the death of a disability retiree is eligible if benefits have been
6	received for at least one year.
7	B. Any benefit increase paid pursuant to the provisions of this Section shall
8	be paid from the funds in the system experience account.
9	C. The amount of the increase authorized by this Section shall be an amount
10	determined by the system's actuary that is supported by the funds in the experience
11	account up to a maximum payment of one and one-half percent of the benefit
12	amount. The funds in the account shall be sufficient to fund such benefit fully on an
13	actuarial basis. If the legislative auditor's actuary disagrees with the determination
14	of the system's actuary, a permanent benefit increase shall not be granted.
15	D. The increase provided for in this Section shall only be payable on the first
16	sixty thousand dollars of a retiree or beneficiary's benefit.
17	* * *
18	§883.1. Experience account
19	A.
20	* * *
21	(2) The In accordance with the provisions of Subsection I of this Section, the
22	experience account shall be credited as follows:
23	* * *
24	B. The In accordance with the provisions of Subsection I of this Section, the
25	experience account shall be debited as follows:
26	* * *
27	I. Beginning with the June 30, 2016 valuation, debits and credits to the
28	account shall occur in the following order:

1	(1) Credits in Subparagraph(A)(2)(b) of this Section, as limited by Paragraph
2	(A)(3) of this Section.
3	(2) Debits in Paragraph (B)(1) of this Section.
4	(3) Credits in Subparagraph (A)(2)(a) of this Section, as limited by
5	Paragraph (A)(3) of this Section.
6	(4) Debits in Paragraph (B)(2) of this Section.
7	* * *
8	§883.4. Permanent benefit increase; payable beginning July 1, 2016
9	A. Notwithstanding any provision of R.S. 11:883.1 to the contrary, the board
10	of trustees of the Teachers' Retirement System of Louisiana may pay a permanent
11	benefit increase, payable beginning July 1, 2016, to the following retirees and
12	beneficiaries:
13	(1) Any retiree, other than a disability retiree, who has attained at least age
14	sixty and who has received a benefit for at least one year.
15	(2) Any nonretiree beneficiary is eligible if benefits had been paid to the
16	retiree or the beneficiary, or both combined, for at least one year and if the retiree
17	would have attained age sixty.
18	(3) Any disability retiree or a person who receives disability benefits from
19	the system based on the death of a disability retiree is eligible if benefits have been
20	received for at least one year.
21	B. Any benefit increase paid pursuant to the provisions of this Section shall
22	be paid from the funds in the system experience account.
23	C. The amount of the increase authorized by this Section shall be an amount
24	determined by the system's actuary that is supported by the funds in the experience
25	account up to a maximum payment of one and one-half percent of the benefit
26	amount. The funds in the account shall be sufficient to fund such benefit fully on an
27	actuarial basis. If the legislative auditor's actuary disagrees with the determination
28	of the system's actuary, a permanent benefit increase shall not be granted.

1	D. The increase provided for in this Section shall only be payable on the first
2	sixty thousand dollars of a retiree or beneficiary's benefit.
3	* * *
4	§1145.1. Employee Experience Account
5	A.(1) The In accordance with the provisions of Subsection G of this Section,
6	the Employee Experience Account shall be credited as follows:
7	* * *
8	B. The In accordance with the provisions of Subsection G of this Section, the
9	Employee Experience Account shall be debited as follows:
10	* * *
11	G. Beginning with the June 30, 2016 valuation, debits and credits to the
12	account shall occur in the following order:
13	(1) Credits in Subparagraph (A)(1)(b) of this Section, as limited by
14	Paragraph (A)(2) of this Section.
15	(2) Debits in Paragraph (B)(1) of this Section.
16	(3) Credits in Subparagraph (A)(1)(a) of this Section, as limited by
17	Paragraph (A)(2) of this Section.
18	(4) Debits in Paragraph (B)(2) of this Section.
19	* * *
20	§1145.3. Cost-of-living adjustment; payable beginning July 1, 2016
21	A. Notwithstanding any provision of R.S. 11:1145.1 to the contrary, the
22	board of trustees of the Louisiana School Employees' Retirement System may pay
23	a cost-of-living adjustment, payable beginning July 1, 2016, to the following retirees
24	and beneficiaries:
25	(1) Any retiree, other than a disability retiree, who has attained at least age
26	sixty and who has received a benefit for at least one year.
27	(2) Any nonretiree beneficiary is eligible if benefits had been paid to the
28	retiree or the beneficiary, or both combined, for at least one year and if the retiree
29	would have attained age sixty.

1	(3) Any disability retiree or a person who receives disability benefits from
2	the system based on the death of a disability retiree is eligible if benefits have been
3	received for at least one year.
4	B. Any benefit increase paid pursuant to the provisions of this Section shall
5	be paid from the funds in the system experience account.
6	C. The amount of the increase authorized by this Section shall be an amount
7	determined by the system's actuary that is supported by the funds in the experience
8	account up to a maximum payment of two percent of the benefit amount. The funds
9	in the account shall be sufficient to fund such benefit fully on an actuarial basis. If
10	the legislative auditor's actuary disagrees with the determination of the system's
11	actuary, a cost-of-living adjustment shall not be granted.
12	D. The increase provided for in this Section shall only be payable on the first
13	sixty thousand dollars of a retiree or beneficiary's benefit.
14	* * *
15	§1331.2. Cost-of-living adjustment; payable beginning July 1, 2016
16	A. Notwithstanding any provision of R.S. 11:1332 to the contrary, the board
17	of trustees of the State Police Retirement System may pay a cost-of-living
18	adjustment, payable beginning July 1, 2016, as follows:
19	(1) In accordance with Subsection C of this Section, the board may pay a
20	cost-of-living adjustment to the following retirees and beneficiaries:
21	(a) Any retiree, other than a disability retiree, who has attained at least age
22	sixty and who has received a benefit for at least one year.
23	(b) Any nonretiree beneficiary is eligible if benefits had been paid to the
24	retiree or the beneficiary, or both combined, for at least one year and if the retiree
25	would have attained age sixty.
26	(c) Any disability retiree or a person who receives disability benefits from
27	the system based on the death of a disability retiree is eligible if benefits have been
21	

1	(2) In accordance with Subsection D of this Section, the board may pay a
2	supplemental cost-of-living adjustment to all retirees and beneficiaries who are at
3	least age sixty-five.
4	B. Any benefit increases paid pursuant to the provisions of this Section shall
5	be paid from the funds in the system experience account.
6	C. The amount of the increase authorized by Paragraph (A)(1) of this Section
7	shall be an amount determined by the system's actuary that is supported by the funds
8	in the experience account after any credits or debits to the account up to a maximum
9	payment of two percent of the benefit amount. The funds in the account shall be
10	sufficient to fund such benefit fully on an actuarial basis. If the legislative auditor's
11	actuary disagrees with the determination of the system's actuary, a cost-of-living
12	adjustment shall not be granted.
13	D. The amount of the increase authorized by Paragraph (A)(2) of this Section
14	shall be an amount determined by the system's actuary that is supported by the funds
15	in the experience account after payment of the increase granted pursuant to
16	Paragraph (A)(1) of this Section up to a maximum payment of two percent of the
17	benefit amount. The funds in the account shall be sufficient to fund such benefit
18	fully on an actuarial basis. If the legislative auditor's actuary disagrees with the
19	determination of the system's actuary, such cost-of-living adjustment shall not be
20	granted.
21	E. The increases provided for in this Section shall only be payable on the
22	first sixty thousand dollars of a retiree or beneficiary's benefit.
23	§1332. Employee Experience Account
24	A.(1) The In accordance with the provisions of Subsection H of this Section,
25	the Employee Experience Account shall be credited as follows:
26	* * *
27	B. The In accordance with the provisions of Subsection H of this Section, the
28	Employee Experience Account shall be debited as follows:
29	* * *

1	H. Beginning with the June 30, 2016 valuation, debits and credits to the
2	account shall occur in the following order:
3	(1) Credits in Subparagraph(A)(1)(b) of this Section, as limited by Paragraph
4	(A)(2) of this Section
5	(2) Debits in Paragraph (B)(1) of this Section.
6	(3) Credits in Subparagraph (A)(1)(a) of this Section, as limited by
7	Paragraph (A)(2) of this Section.
8	(4) Debits in Paragraph (B)(2) of this Section.
9	Section 2. Any cost of this Act not funded by payments made pursuant to the
10	provisions of Section 1 of this Act shall be funded with additional employer contributions
11	in compliance with Article X, Section 29(F) of the Constitution of Louisiana.
12	Section 3. This Act shall become effective on June 30, 2016; if vetoed by the
13	governor and subsequently approved by the legislature, this Act shall become effective on
14	June 30, 2016, or on the day following such approval by the legislature, whichever is later.

## **DIGEST**

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 32 Original

2016 Regular Session

Jones

**Abstract:** Authorizes payment of a permanent benefit increase (or COLA) up to the <u>present</u> <u>law</u> maximum for each state retirement system for certain retirees and beneficiaries of such systems.

<u>Present law</u>, relative to the four state retirement systems—La. State Employees' Retirement System (LASERS), Teachers' Retirement System of La. (TRSL), La. School Employees' Retirement System (LSERS), and State Police Retirement System (STPOL)—establishes an "experience account" within each system for the accumulation of certain system funds. Provides for utilization of these funds for benefit increases, commonly called "cost-of-living adjustments" (COLAs), for retirees, survivors, and beneficiaries of the system. Provides that the following classes of retirees and beneficiaries are eligible for a COLA paid pursuant to present law:

- (1) Any retiree who has received a benefit for at least one year and who has attained at least age 60.
- (2) Any nonretiree beneficiary who has received a benefit for at least one year (aggregated with any time the deceased member may have received a benefit) if the deceased member would have attained age 60.

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(3) Any disability retiree or any beneficiary who receives benefits based on the death of a disability retiree if benefits have been received for at least one year.

Proposed law retains present law.

<u>Present law</u> authorizes payment of a COLA every other year when a system is below 80% funded. The last COLA paid from the experience accounts was in July of 2014.

<u>Present law</u> further provides that the amount of a COLA paid pursuant to <u>present law</u> is the lesser of:

- (1) An amount determined by the system's funded ratio.
- (2) The CPI-U for the preceding year.

<u>Proposed law</u> provides that notwithstanding <u>present law</u> requirements a COLA, payable beginning July 1, 2016, is authorized for the retirees and beneficiaries of each of the four state retirement systems. Requires use of the funds from the system experience accounts to fund such a payment.

<u>Proposed law</u> provides that retirees and beneficiaries who would qualify for a COLA under present law qualify for receipt of the COLA authorized by proposed law.

<u>Proposed law</u> provides that the amount of the COLA shall be an amount supported by the funds in the system's experience account, after all required credits and debits to the account under <u>present law</u> and <u>proposed law</u>, up to the following maximum amounts:

- (1) For LASERS, 1.5% of the benefit amount.
- (2) For TRSL, 1.5% of the benefit amount.
- (3) For LSERS, 2% of the benefit amount.
- (4) For STPOL, 2% of the benefit amount.

<u>Present law</u> for STPOL further authorizes payment of a 2% supplemental COLA to retirees and beneficiaries who are age 65 or older. <u>Proposed law</u> authorizes payment of such a supplemental COLA in an amount, up to 2%, that is supported by the funds in the experience account after payment of the general COLA authorized pursuant to <u>proposed law</u>.

<u>Proposed law</u> provides that the benefit increases shall only be paid on the first \$60,000 of a retiree's or beneficiary's benefit.

<u>Proposed law</u> provides that any cost of this Act not funded by payments made from the system experience account shall be funded with additional employer contributions in compliance with Art. X, §29(F) of the Constitution of Louisiana.

Effective June 30, 2016.

(Amends R.S. 11:542(A)(2)(intro. para) and (B)(intro. para.), 883.1(A)(2)(intro. para.) and (B)(intro. para.), 1145.1(A)(1)(intro. para.) and (B)(intro. para.), and 1332(A)(1)(intro. para.) and (B)(intro. para.); Adds R.S. 11:542(H), 542.2, 883.1(I), 883.4, 1145.1(G), 1145.3, 1331.2, and 1332(H))